

Summary of 3Q Business Results for the Fiscal Year Ending February 28, 2023
[Japan GAAP] (Consolidated)



January 10, 2023

Company Tokyo Individualized Educational Institute, Inc. Listed on the TSE Prime
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 Expected date of dividend payment: No
 Preparation of 3Q supplementary financial document: Yes
 3Q results briefing: No

(Rounded down to million yen)

1. 3Q consolidated business results for the fiscal year ending February 2023
(March 1, 2022 through November 30, 2022)

(1) Consolidated results of operations (% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to parent company	
	million yen	%	million yen	%	million yen	%	million yen	%
3Q, Fiscal year ending February 2023	15,318	(3.2)	469	(60.5)	478	(59.9)	342	(54.4)
3Q, Fiscal year ended February 2022	15,829	22.2	1,188	–	1,193	–	751	–

Note: Comprehensive income

3Q, Fiscal year ending February 2023: 344 million yen (-54.3%)
 3Q, Fiscal year ended February 2022: 752 million yen (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
3Q, Fiscal year ending February 2023	6.31	–
3Q, Fiscal year ended February 2022	13.84	–

(2) Consolidated financial position

	Total assets	Net assets	Shareholder's equity ratio
	million yen	million yen	%
3Q, Fiscal year ending February 2023	10,220	7,549	73.7
Fiscal year ended February 2022	12,679	8,616	67.8

Reference: Shareholders' equity:

3Q, Fiscal year ending February 2023: 7,531 million yen
 Fiscal year ended February 2022: 8,600 million yen

2. Dividends

	Full-year dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Full year
	yen	yen	yen	yen	yen
Fiscal year ended February 2022	–	13.00	–	13.00	26.00
Fiscal year ending February 2023	–	13.00	–		
Fiscal year ending February 2023 (forecast)				13.00	26.00

Note: Revisions to the most recent dividend forecast: None

3. Forecast of consolidated business results for fiscal year ending February 2023 (March 1, 2022 through February 28, 2023)

(% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to parent company		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	Yen
Fiscal year ending February 2023	22,188	(1.4)	2,187	(8.7)	2,196	(8.6)	1,475	(6.5)	27.18

Note: Revisions to the most recent performance forecast: Yes

* Notes

(1) Transfer of important subsidiaries during the current quarterly cumulative consolidated accounting period: None

(2) Adoption of special accounting treatments for quarterly consolidated financial statements: None

(3) Changes in accounting policies, accounting estimates and restatement

1) Changes in accounting policies associated with the revision of accounting standards, etc.: Yes

2) Changes in accounting policies other than 1): None

3) Changes in accounting estimates: None

4) Restatement: None

(4) Shares outstanding (common stock)

1) Number of shares outstanding at the end of period (treasury stock included)

3Q, fiscal year ending February 2023	54,291,435 shares	Fiscal year ended February 2022	54,291,435 shares
3Q, fiscal year ending February 2023	136 shares	Fiscal year ended February 2022	136 shares
3Q, fiscal year ending February 2023	54,291,299 shares	3Q, fiscal year ended February 2022	54,291,299 shares

2) Treasury stock at the end of period

3) Average number of shares during period (quarterly cumulative total)

* Quarterly financial statements are not subject to audits by certified public accountants or audit corporations.

* Explanation regarding appropriate use of business forecasts and other special instructions

Forecasts regarding future performance in this material are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable at the time this report was prepared, and are not intended as a guarantee that the Company will achieve these targets. Further, actual results may differ significantly from the forecasts due to various factors. For notes in using earnings projections and assumptions for premises thereof, refer to page 4 of the Attachment "1. Qualitative Information on Quarterly Results (3) Explanation of the Forecast of Consolidated Business Results and other Future Forecasts".

(Note on obtaining supplementary materials to quarterly financial statements)

Supplementary materials to quarterly financial statements (fact sheet) will be provided on the Company's website from January 10, 2023.

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1. Qualitative Information on Quarterly Results

(1) Explanation of Operating Results

Information related to future events in the text are based on judgments made by the Company at the end of the quarterly consolidated accounting period.

While the Japanese economic outlook for 3Q of the fiscal year ending February 2023 is showing signs of a gradual recovery with the COVID-19 pandemic remaining a concern, continued caution is needed due to the risk of an economic slowdown both in Japan and abroad driven by monetary tightening across the globe, coupled with the impact of price increases on households. Further, with regard to the impact of COVID-19, while infections from the omicron strain of the virus are on a downward trend compared to the second quarter, the situation at hand remains unpredictable.

With regard to the education system in Japan, Japan's new school curriculum guidelines for middle schools were implemented across the board in FY2021, and the new school curriculum guidelines for high schools were implemented beginning in FY2022. This transition in the education system has further accelerated the shift to online learning, which was already in high demand as a result of COVID-19, and has increased the need for digital learning materials that facilitate the effective learning of curriculum subjects, and has diversified the entrance exam system. The prep school market also needs to adopt a flexible, rapid response to these changes, and is faced with intensifying competition between participants, including new entrants from other industries.

Amidst these circumstances, we have looked to provide teaching services closely aligned to individual customer needs based on our core corporate philosophy: The confidence that you can do it if you try; The joy of taking on a new challenge; The importance of having dreams - With these three educational ideals and hospitality as the linchpin of our corporate activities, we shall contribute to a happy future for humanity.

Our competitive advantage is in our “business of ‘Creating Shared Value’ with university students”, a business process that serves as the foundation for our business activities. A key initiative under this arm of our business is the TEACHERS’ SUMMIT Annual Class Plan, which is continually being improved upon.

During 3Q of the fiscal year ending February 2023, as part of efforts to live with the COVID-19 pandemic, we work to manage classrooms while prioritizing the safety and security of students and employees alike above all else by ensuring that infectious disease control measures were stringently followed. To help our students achieve their learning goals caused by the recurrence of the omicron strain of the COVID-19 virus during 2Q of the fiscal year ending February 2023, we shifted focus to improving the quality of our teaching services through the implementation of new coaching training and other human resource development measures, and providing study opportunities focused on achieving results.

In terms of school expansion, we continued to look to open dominant schools focused primarily on metropolitan centers as part of efforts to bolster the strength of our brand in regional areas to further expand the business. In October 2022, we opened a new Tokyo Individualized Educational Institute school (TIEI) in Ebina (Kanagawa).

While student recruitment was constrained by the extended impact of the omicron strain of COVID-19 and was impacted by customer behavioral changes associated with changes to university entrance exams, student inquiries and enrollments recovered compared to the 2Q of the fiscal year ending February 2023 to an average number of enrolled students for 3Q of the fiscal year ending February 2023 of 32,828 (down 1.9 % year-on-year).

Due to the above, results for 3Q of the fiscal year ending February 2023 saw a year-on-year decline in net sales of 510 million yen (3.2%) to end at 15,318 million yen resulting from the decline in student enrollments. In terms of operating income, reduced earnings as a result of a reduction in revenues and an increase in depreciation and amortization expenses pertaining to the redevelopment of the student placement system and a credit management system, and the corresponding increase in operating and maintenance costs have led to operating income falling to 469 million yen, a 719 million yen (60.5%) reduction year-on-year. Ordinary income dropped 715 million yen (59.9%) year-on-year to end at 478 million yen. Quarterly net income attributable to owners of the parent company was 342 million yen, a decline of 408 million yen (54.4%) year-on-year.

Further, the main line of business for our Group is the individualized teaching business. Net sales, segment profit, and other totals have been omitted for other business lines as these represent a small fraction of total earnings.

(2) Explanation of Financial Standing

1) Assets, Liabilities, and Net Assets

[Assets]

Total assets as of November 30, 2022 were 10,220 million yen, a 2,459 million yen (19.4%) decline from the end of the previous fiscal year.

Current assets were at 5,641 million yen, a 2,515 million yen (30.8%) decline from the end of the previous fiscal year. This decline was despite an increase in "other" assets of 154 million yen, and was primarily driven by a decline of 2,466 million yen in cash and deposits, and a further 205 million yen decline in accounts receivable.

Tangible fixed assets were 805 million yen, a 1 million yen (0.2%) increase from the end of the previous fiscal year. This increase was primarily due to capital investments for opening new schools.

Intangible fixed assets were 1,845 million yen, a 115 million yen (6.7%) increase from the end of the previous fiscal year. This increase was primarily due to capital investments in development of a dedicated customer website and a billing platform system.

Investments and other assets were 1,928 million yen, a 61 million yen (3.1%) decline from the end of the previous fiscal year. This decline was primarily the result of a 53 million drop in "other" investments and assets.

[Liabilities]

Total liabilities as of November 30, 2022 were 2,671 million yen, a 1,392 million yen (34.3%) decline from the end of the previous fiscal year. While there was an increase of 257 million yen in contractual liabilities, this decline was primarily the result of a decline of 750 million yen in "other" liabilities, and a decrease of 818 million yen in accrued tax payable, etc.

[Net assets]

Net assets as of November 30, 2022 were 7, 549 million yen, a 1,067 million yen (12.4%) decline from the end of the previous fiscal year. This decline was the result of surplus dividend payments of 1,411 million yen, and quarterly net income attributable to owners of the parent company totaling 342 million yen.

(3) Explanation of the Forecast of Consolidated Business Results and other Future Forecasts

The forecast of consolidated business results for the fiscal year ending February 2023 announced in the Summary of Business Results for the Fiscal Year Ended February 28, 2022 [Japan GAAP] (Consolidated) disclosed on April 12, 2022 were revised to reflect the cumulative results of the first three quarters of the current consolidated accounting period and future forecasts.

(Unit: Million yen)

	Net sales	Operating income	Ordinary income	Net income attributable to parent company	Net income per share (yen)
Previously announced forecast (A)	23,858	2,632	2,633	1,687	31.08
Revised forecast (B)	22,188	2,187	2,196	1,475	27.18
Difference (B-A)	(1,670)	(445)	(437)	(212)	
Percentage change (%)	(7.0)	(16.9)	(16.6)	(12.6)	
(Reference) Results for the previous period (Year ending February 2022)	22,495	2,396	2,402	1,578	29.07

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheets

(Unit: Thousands of yen)

	End of previous consolidated fiscal year (As of February 28, 2022)	End of 3Q of the current consolidated fiscal year (As of November 30, 2022)
Assets		
Current assets		
Cash and deposits	7,103,309	4,636,719
Accounts receivable	586,225	380,706
Inventories	35,574	37,917
Other	441,027	595,975
Allowances for bad debts	(9,057)	(9,948)
Total current assets	8,157,080	5,641,370
Fixed assets		
Tangible fixed assets		
	803,179	805,174
Intangible fixed assets		
Goodwill	184,000	168,666
Software	978,644	1,557,869
Other	566,983	118,869
Total intangible fixed assets	1,729,628	1,845,405
Investments and other assets		
Lease and guarantee deposits	1,601,797	1,593,845
Other	388,225	334,725
Total investments and other assets	1,990,022	1,928,570
Total fixed assets	4,522,831	4,579,150
Total assets	12,679,911	10,220,521
Liabilities		
Current liabilities		
Accounts payable	8,357	16,482
Accrued expenses	864,273	810,460
Accrued tax payable, etc.	823,548	5,281
Contractual liabilities	859,611	1,117,340
Reserve for bonuses	116,244	191,718
Reserve for officer bonuses	20,790	–
Reserve for shareholder benefits	86,842	–
Other	1,256,728	506,498
Total current liabilities	4,036,397	2,647,780
Fixed liabilities		
Other	26,852	23,320
Total fixed liabilities	26,852	23,320
Total liabilities	4,063,249	2,671,101
Net assets		
Shareholder's equity		
Capital	642,157	642,157
Capital surplus	1,013,565	1,013,565
Retained earnings	6,944,447	5,875,456
Treasury stock	(121)	(121)
Total shareholder's equity	8,600,048	7,531,057
Minority interest	16,613	18,362
Total net assets	8,616,662	7,549,419
Total liabilities and net assets	12,679,911	10,220,521

(2) Quarterly Consolidated Statements of Operations and Quarterly Statement of Comprehensive Income
 Quarterly Consolidated Income Statements
 3Q consolidated cumulative period

(Unit: Thousands of yen)

	3Q, fiscal year ended February 2022 (March 1, 2021 to November 30, 2021)	3Q, fiscal year ending February 2023 (March 1, 2022 to November 30, 2022)
Net sales	15,829,164	15,318,258
Cost of goods sold	10,438,905	10,298,934
Gross profit	5,390,258	5,019,323
Selling, general and administrative expenses	4,201,380	4,549,609
Operating income	1,188,878	469,714
Non-operating income		
Interest and dividend income	60	78
Gain on disposal of unpaid dividends	612	550
Subsidy income	1,400	508
Gain on bad debts recovered	2,976	2,638
Gain on the liquidation of lease and guarantee deposits	–	5,099
Other	54	17
Total non-operating income	5,104	8,892
Ordinary income	1,193,982	478,606
Extraordinary loss		
Impairment losses	–	* 7,954
Total extraordinary loss	–	7,954
Quarterly income before income taxes	1,193,982	470,652
Corporate income, inhabitant and enterprise taxes	438,809	69,954
Adjustment of corporate taxes, etc.	2,514	56,366
Total accrued tax payable	441,324	126,321
Quarterly net income	752,658	344,331
Quarterly net income attributable to minority interests	1,501	1,748
Quarterly net income attributable to owners of the parent company	751,157	342,582

Quarterly statement of comprehensive income
3Q consolidated cumulative period

(Unit: Thousands of yen)

	3Q, fiscal year ended February 2022 (March 1, 2021 to November 30, 2021)	3Q, fiscal year ending February 2023 (March 1, 2022 to November 30, 2022)
Quarterly net income	752,658	344,331
Quarterly comprehensive income	752,658	344,331
(Breakdown)		
Quarterly comprehensive income attributable to owners of the parent company	751,157	342,582
Quarterly comprehensive income attributable to minority interests	1,501	1,748

(3) Notes Concerning Quarterly Consolidated Financial Statements

(Notes on Quarterly Consolidated Income Statements)

* Impairment losses

3Q, fiscal year ended February 2022 (March 1, 2021 to November 30, 2021)

Not applicable

3Q, fiscal year ending February 2023 (March 1, 2022 to November 30, 2022)

The Group recorded an impairment loss for 3Q of the current fiscal year.

Application	Type	Location	Breakdown (thousands of yen)
Business asset	Building, Buildings, tools, furniture and fixtures, leased assets, and long-term prepaid expenses	Schools in Fukuoka City, Fukuoka (2 schools)	7,954

The Group groups schools – the smallest cash flow producing units. Individual assets are used as the grouping unit for unemployed assets.

As the Company stopped accepting new customer inquiries for the business for online individualized teaching service as of August 30, the recoverable amount for this service was determined to be zero, and its entire book value was written off as an impairment loss.

Further, the Company's decision to consolidate schools resulted in the entire book value of assets no longer deemed to be recoverable being written off as an impairment loss.

(Breakdown of impairment losses)

Buildings	6,372 thousand yen
Tools, furniture and fixtures	511 thousand yen
Leased assets	821 thousand yen
Long-term prepaid expenses	247 thousand yen
<u>Total</u>	<u>7,954 thousand yen</u>

(Notes Regarding the Company as a Going Concern)

Not applicable

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable

(Changes in Accounting Policies)

(Application of the Accounting Standard for Revenue Recognition)

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, dated March 31, 2020) was applied from the beginning of the first quarter of the fiscal year ending February 2023. Under this change, monetary amounts expected to be received in exchange for goods and services are recognized as revenue at the moment control of the promised goods and services is transferred to the customer.

While the Accounting Standard for Revenue Recognition has been applied in accordance with the provisions on transitional handling prescribed in the provision to paragraph 84 of the Accounting Standard for Revenue Recognition, said application does not affect the balance of retained earnings at the beginning of the first quarter of the fiscal year ending February 2023. Further, this change does not affect profit and loss statements for 3Q of the fiscal year ending February 2023.

With the application of the Accounting Standard for Revenue Recognition, “advances received”, which had previously been listed under “other” in “current liabilities” in the consolidated balance sheet for the previous consolidated fiscal year, is now included in “contractual liabilities”.

(Application of the Accounting Standard for Fair Value Measurement)

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, dated July 4, 2019) was applied from the beginning of the first quarter of the fiscal year ending February 2023. The new accounting standards prescribed by the Accounting Standard for Fair Value Measurement shall be applied prospectively in accordance with the provisions on transitional handling prescribed in the provision to paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, dated July 4, 2019). Further, said changes shall have no effect on quarterly consolidated financial statements.

(Additional Information)

In the current fiscal year the Company made accounting estimates for impaired assets, including goodwill and other fixed assets, and the retrievability of deferred tax assets based on the assumption that the novel coronavirus pandemic would not pose a significant impact. However, there remains the potential for future losses should the above supposition fail to materialize.

(Segment Information, etc.)

[Segment Information]

The main line of business for our Group is the individualized teaching business. Net sales, segment profit, and other totals have been omitted for other business lines as these represent a small fraction of total earnings.

3. Other Notes

Circumstances Concerning Orders Received, Sales, and Production

(1) Production and orders received

The Group is primarily involved with providing classes to students, and does not record production and orders received.

(2) Sales

Sales performance by segment for 3Q of the fiscal year ending February 2023 is as follows:

Segment name	3Q of the fiscal year ending February 2023		
	Net sales (thousands of yen)	Composition ratio (%)	Year-on-year comparison (%)
Individualized teaching			
Primary school students	1,697,543	11.1	102.3
Middle school students	5,156,639	33.7	99.2
High school students	8,134,232	53.1	94.0
Total individualized teaching	14,988,416	97.8	96.6
Other business total	329,842	2.2	104.1
Total	15,318,258	100.0	96.8

(Note) Other business activities include science labs, writing classes, online individualized learning, and corporate human resource development activities provided by HRBC Co., Ltd.